
LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION

FINANCIAL STATEMENTS

December 31, 2005 and 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-20-07



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION

FINANCIAL STATEMENTS

December 31, 2005 and 2004

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
<u>Supplemental Information</u>	
Schedule of Revenues and Expenses by Funding Source	10 - 13



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Board of Directors
Louisiana Center for Law and Civic Education
New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Center for Law and Civic Education (the Center) as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Center for Law and Civic Education as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of revenues and expenses by funding source on pages 10 – 13 is presented for purposes of additional analysis and is not a required part of the financial statements of the Center. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
March 5, 2007

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 54,579	\$ 43,215
Investments	13,320	13,320
Due from funding sources	-	17,253
Office equipment and library materials, net of accumulated depreciation of \$42,402 and \$40,132, respectively	<u>4,784</u>	<u>5,422</u>
 Total assets	 <u>\$ 72,683</u>	 <u>\$ 79,210</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accrued expenses	<u>\$ 4,640</u>	<u>\$ 3,500</u>
 <u>Net Assets</u>		
Unrestricted	36,723	40,210
Temporarily restricted	18,000	22,180
Permanently restricted	<u>13,320</u>	<u>13,320</u>
Total net assets	<u>68,043</u>	<u>75,710</u>
 Total liabilities and net assets	 <u>\$ 72,683</u>	 <u>\$ 79,210</u>

The accompanying notes are an integral part of these statements.

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
			<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Grants in aid - private sources	\$ -	\$ 49,200	\$ -
Federal and state assistance	57,500	3,554	-
Registration fees, contributions and other	15,724	-	-
Investment income	879	366	-
Contributions in-kind	9,021	-	-
Net assets released from restrictions	53,745	(53,745)	-
Total revenues and other support	<u>136,869</u>	<u>(625)</u>	<u>-</u>
<u>EXPENSES</u>			
Education programs	55,537	-	-
Management and general	51,988	-	-
Fundraising	32,831	-	-
Return of unexpended grant funds	-	3,555	-
Total expenses and losses	<u>140,356</u>	<u>3,555</u>	<u>-</u>
Change in net assets	<u>(3,487)</u>	<u>(4,180)</u>	<u>-</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>40,210</u>	<u>22,180</u>	<u>13,320</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 36,723</u>	<u>\$ 18,000</u>	<u>\$ 13,320</u>

The accompanying notes are an integral part of these statements.

2004

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ -	\$ 47,511	\$ -	\$ 47,511
32,500	33,500	-	66,000
16,889	16,400	-	33,289
108	180	-	288
11,080	-	-	11,080
100,082	(100,082)	-	-
<u>160,659</u>	<u>(2,491)</u>	<u>-</u>	<u>158,168</u>
91,448	-	-	91,448
53,628	-	-	53,628
25,664	-	-	25,664
-	-	-	-
<u>170,740</u>	<u>-</u>	<u>-</u>	<u>170,740</u>
<u>(10,081)</u>	<u>(2,491)</u>	<u>-</u>	<u>(12,572)</u>
<u>50,291</u>	<u>24,671</u>	<u>13,320</u>	<u>88,282</u>
<u>\$ 40,210</u>	<u>\$ 22,180</u>	<u>\$ 13,320</u>	<u>\$ 75,710</u>

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (7,667)	\$ (12,572)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,235	2,273
Donated office furniture	(1,597)	-
Changes in:		
Accrued expenses	1,140	(400)
Due from funding source	<u>17,253</u>	<u>(17,253)</u>
Net provided by (used in) operating activities; net change in cash	<u>11,364</u>	<u>(27,952)</u>
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	<u>43,215</u>	<u>71,167</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 54,579</u></u>	<u><u>\$ 43,215</u></u>

The accompanying notes are an integral part of these statements.

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Nature of Operations

The Louisiana Center for Law and Civic Education, Inc. (the Center) was organized to institutionalize law-related curricula in Louisiana schools, the justice system, and the broader community; to serve as a centralized office and support network for existing and developing law-related education programs in the State of Louisiana; to provide a permanent law-related education organization for sharing common resources statewide; to conduct awareness seminars on law-related education for teachers, administrators, and community members; and to develop law-related education teaching materials. Funding for the Center's operations is provided from federal, state and private grants, fundraising activities, contributions and participant fees.

b. Basis of Accounting and Reporting

The financial statements of the Center have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses when they are incurred.

c. Basis of Presentation

In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Center reports contributions of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated or granted assets. When a donor or grantor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions are permanently restricted by the donor. Interest earnings available for distribution are recorded in unrestricted net assets.

To ensure observance of limitations and restrictions placed on the uses of resources available to the Center, the accounting system is organized and operated on a fund basis. The financial statements of the individual funds have been presented on a combined basis, separated into unrestricted, temporarily restricted, and permanently restricted.

d. Office Equipment & Library Materials

Office equipment and library materials are recorded at cost. Items donated to the Center are recorded at estimated fair market value at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets (5-7 years) on a straight line basis.

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

e. Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

h. Investments

Investments consist of non-negotiable certificates of deposit and are carried at cost, which approximates fair value.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2005 and 2004 include those net assets obtained from the following funding sources:

	<u>2005</u>	<u>2004</u>
IOLTA	\$ 1,546	\$ 5,355
Center for Civic Education	7,076	4,152
Youth Summit	-	4,236
TPAL	2,942	3,012
Police Foundation	1,390	1,390
Cypres Funds	-	3,855
Council for Excellence in Government	2,750	-
Savings Account - Endowment Interest	546	180
Youth for Justice	1,750	-
	<u>\$ 18,000</u>	<u>\$ 22,180</u>

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Temporarily Restricted Net Assets (continued)

Net assets were released from grantor restrictions by incurring expenses satisfying the purpose specified by grantors as follows:

	<u>2005</u>	<u>2004</u>
IOLTA	\$ 34,229	\$ 34,656
Youth Summit	4,786	15,444
Community Works	-	966
School-to-Career	-	59
Police Foundation	-	375
New Orleans City Council	-	139
Center for Civic Education	7,076	2,742
East Baton Rouge Schools	3,690	8,983
Cypress Funds	3,853	8,721
Federal Court/EDLA	-	27,390
Youth for Justice	2,000	-
Council for Excellence in Government	<u>2,250</u>	<u>-</u>
Total Expenses	57,884	99,475
Net difference in expenses and net assets released	<u>(584)</u>	<u>607</u>
 Total restrictions released	 <u>\$ 57,300</u>	 <u>\$ 100,082</u>

3. Contributed Services and Facilities

As a means of providing law and civic education, the Center solicits volunteer services from attorneys, judges, and physicians for classroom instruction. The value of these contributed services, based on average fair market hourly rates for these professionals, was approximately \$8,500 and \$22,500 for the years ended 2005 and 2004, respectively. These contributions are not recognized in the statements of activities, as they do not meet the criteria for recognition.

The Board of Directors is a voluntary board; no compensation is paid to its members.

The Center receives in-kind contributions of gratuitous rent and facilities usage. The fair market values of the occupied space and facilities are recorded as both contributions and expenses under management and general expenses in the amount of \$7,424 for 2005 and \$11,080 for 2004.

During the aftermath of hurricane Katrina in 2005, the Center relocated to Baton Rouge for an indefinite period of time. Rent paid to the Baton Rouge Bar association totaled \$600 for 2005.

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Concentrations

Grants and appropriations from private foundations and governmental agencies have historically comprised a significant portion of the Center's total revenues. Generally, these grants and appropriations provide funding on an annual basis, with no formal commitment for continued funding. Continuation of operations depends on funding from these sources.

5. Related Party Transactions

The Center is affiliated with the Louisiana State Bar Association (the Association) by way of common management and board members. The Center's operations are conducted by employees of the Association, who work exclusively on matters of the Center. The Center pays the Association monthly fees to cover all payroll costs of those employees as well as certain overhead expenses. Amounts paid for the years ended December 31, 2005 and 2004 were approximately \$54,000 and \$63,000, respectively. The Association also provided the gratuitous rent and facilities usage as discussed in Note 3.

6. Endowed Assets

The Center's Endowment Fund (the Fund) was created through individual private donations. The Fund's assets consist of primarily a certificate of deposit with a local bank. Interest earnings of the Fund are to be utilized at the discretion of the Board of Directors. The principal investment of this fund is permanently restricted.

The carrying amount of the investment of \$13,320 at December 31, 2005 and 2004, respectively, is its cost, which approximates fair value.

7. Contingencies

The IRS's records indicate that the Center filed its form 990 for the year 2002 after the required deadline. Although the Center has received no notice of penalties, they may be assessed due to the tardiness of the filing. The Center plans to appeal any penalties assessed. The assessment could be significant; however, the amount ultimately paid, if any, can not be determined at this time.

**LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Endowment Fund	IOLTA	Center for Civic Education	Cypres Funds
REVENUES					
Grants in aid - private sources	\$ -	\$ -	\$ 30,450	\$ 10,000	\$ -
Federal and state assistance	-	-	-	-	-
Registration fees, contributions, and other	15,724	-	-	-	-
Investment income	879	366	-	-	-
Contributed rent and equipment	9,021	-	-	-	-
Total revenues	25,624	366	30,450	10,000	-
EXPENSES					
Education Programs					
Contractual fees	1,611	-	-	-	3,074
Education materials	-	-	-	998	742
Program events and workshops	3,750	-	-	1,859	-
Salaries and wages	-	-	9,949	207	-
Payroll taxes and benefits	301	-	-	-	-
Postage and Printing	-	-	-	206	-
Stipends/Awards - Teachers	300	-	-	-	-
Travel expenses	-	-	-	2,837	-
Total education program expenses	5,962	-	9,949	6,107	3,816
Management and General					
Audit and accounting fees	906	-	-	-	-
Depreciation	2,235	-	-	-	-
Meetings and conferences	1,812	-	-	-	-
Miscellaneous	1,010	-	50	-	37
Office expense	1,946	-	-	-	-
Salaries and wages	-	-	7,107	414	-
Payroll taxes and benefits	250	-	-	-	-
Postage and printing	1,791	-	-	-	-
Rent	7,424	-	-	-	-
Telephone and fax	2,088	-	-	-	-
Travel expenses	1,511	-	-	141	-
Total management and general	20,973	-	7,157	555	37
Fundraising					
Promotions	-	-	2,197	-	-
Salaries and wages	-	-	11,371	414	-
Payroll taxes and benefits	367	-	-	-	-
Total fundraising	367	-	13,568	414	-
Return of unexpended grant funds					
	-	-	3,555	-	-
Total expenses	27,302	-	34,229	7,076	3,853
Revenues over (under) expenses	\$ (1,678)	\$ 366	\$ (3,779)	\$ 2,924	\$ (3,853)

Youth Summit	EBR Schools	Tobacco Fund	LA Legislature Appr.	TPAL	Youth for Justice	Council for Excellence in Govt.	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,750	\$ 5,000	\$ 49,200
-	3,554	20,000	37,500	-	-	-	61,054
-	-	-	-	-	-	-	15,724
-	-	-	-	-	-	-	1,245
-	-	-	-	-	-	-	9,021
-	3,554	20,000	37,500	-	3,750	5,000	136,244
-	560	455	1,000	-	-	2,250	8,950
-	-	-	1,192	-	-	-	2,932
2,114	-	-	-	37	-	-	7,760
-	-	-	9,371	-	-	-	19,527
-	-	4,149	867	-	-	-	5,317
2,672	-	-	-	-	-	-	2,878
-	2,424	-	-	-	2,000	-	4,724
-	612	-	-	-	-	-	3,449
4,786	3,596	4,604	12,430	37	2,000	2,250	55,537
-	-	4,200	-	-	-	-	5,106
-	-	-	-	-	-	-	2,235
-	-	-	-	-	-	-	1,812
-	-	76	-	-	-	-	1,173
-	94	391	1,112	-	-	-	3,543
-	-	-	9,546	-	-	-	17,067
-	-	3,171	619	-	-	-	4,040
-	-	642	1,865	-	-	-	4,298
-	-	600	-	-	-	-	8,024
-	-	252	48	33	-	-	2,421
-	-	-	617	-	-	-	2,269
-	94	9,332	13,807	33	-	-	51,988
-	-	-	-	-	-	-	2,197
-	-	-	12,611	-	-	-	24,396
-	-	4,880	991	-	-	-	6,238
-	-	4,880	13,602	-	-	-	32,831
-	-	-	-	-	-	-	3,555
4,786	3,690	18,816	39,839	70	2,000	2,250	143,911
\$ (4,786)	\$ (136)	\$ 1,184	\$ (2,339)	\$ (70)	\$ 1,750	\$ 2,750	\$ (7,667)

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Endowment Fund	IOLTA	Community Works	Center for Civic Education
REVENUES					
Grants in aid - private sources	\$ -	\$ -	\$ 40,011	\$ -	\$ 7,000
Federal and state assistance	-	-	-	-	-
Registration fees, contributions, and other	16,889	-	-	-	-
Investment income	108	180	-	-	-
Contributed rent	11,080	-	-	-	-
Total revenues	28,077	180	40,011	-	7,000
EXPENSES					
Education Programs					
Contractual fees	12,285	-	-	778	-
Education materials	218	-	-	-	-
Program events and workshops	3,824	-	-	-	859
Salaries and wages	1,947	-	11,317	-	-
Payroll taxes and benefits	2,153	-	-	-	-
Postage and Printing	-	-	-	-	-
Stipends/Awards - Teachers	1,500	-	-	-	-
Travel expenses	-	-	-	188	-
Total education program expenses	21,927	-	11,317	966	859
Management and General					
Audit fees	3,500	-	-	-	-
Depreciation	2,273	-	-	-	-
Insurance	500	-	-	-	-
Meetings and conferences	3,634	-	-	-	-
Miscellaneous	749	-	-	-	-
Office expense	2,490	-	720	-	-
Salaries and wages	1,543	-	8,083	-	-
Payroll taxes and benefits	1,781	-	-	-	-
Postage and printing	400	-	536	-	42
Newsletter and publishing	-	-	-	-	-
Rent	11,080	-	-	-	-
Telephone and fax	2,642	-	1,067	-	-
Travel expenses	1,228	-	-	-	1,841
Total management and general	31,820	-	10,406	-	1,883
Fundraising					
Advertising	-	-	-	-	-
Event Activity	-	-	-	-	-
Salaries and wages	1,951	-	12,933	-	-
Payroll taxes and benefits	2,622	-	-	-	-
Total fundraising	4,573	-	12,933	-	-
Total expenses	58,320	-	34,656	966	2,742
Revenues over (under) expenses	\$ (30,243)	\$ 180	\$ 5,355	\$ (966)	\$ 4,258

School-to-Career	Police Foundation	Cypres Funds	Youth Summit	EBR Schools	Tobacco Fund	Federal Court/EDLA	LA Legislature Appr.	Total
\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,511
-	-	-	-	7,500	20,000	26,000	12,500	66,000
-	-	-	16,400	-	-	-	-	33,289
-	-	-	-	-	-	-	-	288
-	-	-	-	-	-	-	-	11,080
-	500	-	16,400	7,500	20,000	26,000	12,500	158,168
59	375	3,605	-	3,434	8,015	4,000	1,586	34,137
-	-	757	-	1,863	-	-	-	2,838
-	-	1,011	15,444	1,027	-	2,768	-	24,933
-	-	-	-	-	-	4,244	-	17,508
-	-	-	-	-	586	2,484	-	5,223
-	-	-	-	633	457	-	-	1,090
-	-	2,200	-	1,400	-	-	-	5,100
-	-	-	-	431	-	-	-	619
59	375	7,573	15,444	8,788	9,058	13,496	1,586	91,448
-	-	-	-	-	-	-	-	3,500
-	-	-	-	-	-	-	-	2,273
-	-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	-	3,634
-	-	-	-	-	-	-	-	749
-	-	-	-	195	-	1,064	463	4,932
-	-	-	-	-	-	3,031	-	12,657
-	-	-	-	-	488	1,878	-	4,147
-	-	633	-	-	1,089	144	-	2,844
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	11,080
-	-	-	-	-	-	19	-	3,728
-	-	515	-	-	-	-	-	3,584
-	-	1,148	-	195	1,577	6,136	463	53,628
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,850	-	19,734
-	-	-	-	-	400	2,908	-	5,930
-	-	-	-	-	400	7,758	-	25,664
59	375	8,721	15,444	8,983	11,035	27,390	2,049	170,740
\$ (59)	\$ 125	\$ (8,721)	\$ 956	\$ (1,483)	\$ 8,965	\$ (1,390)	\$ 10,451	\$ (12,572)



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

March 5, 2007

Page 1 of 3

Members of the Board and Management
Louisiana Center for Law and Civic Education
New Orleans, Louisiana

In planning and performing our audits of the financial statements of the Louisiana Center for Law and Civic Education (the Center) for the years December 31, 2005 and 2004, we considered the Center's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that we consider to be deficiencies in your internal control structure. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated March 5, 2007 on the financial statements of the Center.

A. Account coding of transactions

Condition: In performing certain transactional tests, we noted several miscodings that required reclassification or adjustment. It was not uncommon to observe the cash from one funding source being recorded as the source for paying the expenses of the other funding source. Adjustments have been made to correct the miscodings we discovered as part of the audit. In order to ensure that expenses are properly matched to their intended funding source on an on-going basis, the cost centers (which identify the assets, revenues and expenses of a particular funding source) should be balanced as a separate fund.

Recommendation: The Center's accountant should perform this procedure once per month. If the funds are out of balance, then research must be performed to determine where the miscoding occurred.

B. Separation of Duties

Condition: Due to the Center's very small staff, there is an inherent lack of segregation of accounting duties. The same individual (Executive Director) writes and records check disbursements and maintains custody of the checks. This individual also signs checks (although dual signature, including that of a board member, is required and generally practiced).

Despite the inherent lack of segregation, the Center has input certain compensating controls, such as having bank reconciliations prepared and check registers reviewed by a contracted accountant. The compensating controls help diminish the inherent risk of a lack of segregation of duties, but the inherent condition remains.

Recommendation: In small non-profit organizations, segregation of duties is a common condition. Given the very limited resources of the Center, it may be difficult to hire the additional staff that would be necessary in order to thoroughly segregate the various accounting duties. However, the Center should consider further compensating controls such as:

- Maintenance of a check\ cash receipts log by the individual in charge of opening the mail. This individual would not be involved in the accounting or reconciliation process.
- Reconciliation of the cash receipts log to the general ledger by the contracted bookkeeper.
- Direct communication and reporting from the contracted bookkeeper\accountant with the board or the treasurer.

C. External Financial Reporting in accordance with GAAP

Condition: As part of the audit process, we have always assisted management in drafting the financial statements and related notes in accordance with the format prescribed by Generally Accepted Accounting Principals (GAAP) for not-for-profit organizations. The rules governing this reporting format can be quite technical and even complex and generally require a high level of accounting expertise. Because our involvement is so key to that process, that involvement is an indication that the Center lacks the expertise to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Our responsibility under current audit standards requires us to communicate this issue to the Finance Committee or Board.

Recommendation: Again, as it is with the condition of a lack of segregation of duties, this condition is common to many small organizations. The Center should decide, as with any internal control procedure or structure, whether the costs of implementation and performance outweigh the benefits. Should the board decide that remediation of this condition is feasible; the Center should contract with an individual or accounting firm who is experienced in not-for profit accounting to oversee its accounting and financial reporting functions.



D. Late submission of financial statements to the Louisiana Legislative Auditor

- Criteria: LRS 24:513 requires recipients of state and local public funds in an amount greater than \$50,000 but less than \$200,000 to submit annual financial statements compiled by a CPA to the Legislative Auditor's office for review. The submission must be made within six months of the recipient's fiscal year-end. Audited financial statements fulfill this requirement.
- Condition: In 2005, the Center received approximately \$60,000 in public assistance from the State of Louisiana and local political subdivisions. The financial statements were not submitted to the Legislative Auditor until April 2007.
- Effects: No monetary penalties are assessed.
- Recommendation: The Center should contract with an individual or accounting firm who is experienced in not-for profit accounting to oversee its accounting and financial reporting functions.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Center's staff for their patience and cooperation with us during the performance of the audit.

Pasttharvich & McNeill



The Louisiana Center for Law & Civic Education

544 MAIN STREET
BATON ROUGE, LA 70802

PHONE (225) 214.5570 • FAX (225) 344.4805 • WWW.LALCE.ORG • EMAIL: MARIA@LALCE.ORG

April 12, 2007

RECEIVED
LEGISLATIVE AUDITOR
2007 APR 24 AM 11:13

HONORARY CHAIRS

HON. LINDY BOGGS

HON. CHARLES C. FOTI, JR.

OFFICERS

HON. KAREN WELLS ROBY
PRESIDENT

BRIAN ENGERON

TREASURER

MELANIE FIELDS

SECRETARY

E. WADE SHOWS

IMMEDIATE PAST PRESIDENT

BOARD OF DIRECTORS

HON. MARC AMY

JACK C. BENJAMIN

HON. BOB DOWNING

VAL EXNICIOS

DARLENE FIELDS

C. KEVIN HAYES

JOHN HERNANDEZ, III

ROZ KORETZKY

LORETTA LARSEN

HON. C. WENDELL MANNING

DOUG MOREAU

DOMOINE RUTLEDGE

JEFFERY J. THOMAS

BARBARA TURNER WINDHORST

MARIA YIANNOPOULOS
EXECUTIVE DIRECTOR

BRENDA NOLAND
PROGRAM COORDINATOR

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Explanation for 2005 Late Filing with Legislative Auditor

Dear Mr. Theriot,

Pursuant to your letter dated February 21, 2007 wherein you informed the Louisiana Center for Law and Civic Education, auditee, and Fred Smith of Postlethwaite & Netterville, auditor, that the completed audited report for 2005 should have been submitted to your office by January 31, 2007. We humbly ask that you please accept this as our letter explaining to you the following events which contributed to the delay:

Hurricane Katrina – New Office Location. – As a result of the storm and its aftermath, the LCE office moved its operations (indefinitely) from its original headquarters based in New Orleans to Baton Rouge, Louisiana. A portion of our LCE 2005 financial and accounting files remained at the New Orleans office and a portion was created in our new location in Baton Rouge. When it came time for our auditor to review documents, I had to travel or we sent people to the New Orleans office to retrieve them. Also, we had to make adjustments to our accounting as per Mr. Smith's (auditor) request, and our bookkeeper who works full time in New Orleans was only able to travel to the Baton Rouge office on the week-ends. There were a series of week-ends that he was unable to also travel to Baton Rouge and conduct the necessary work. This also was a contributing factor in the inability to meet the January 31 deadline.

LCE Executive Director is out on Approved Medical Leave in January 2007. During the entire month of January, I was out on medical leave. During this time Fred Smith of Postlethwaite & Netterville discovered that the LCE crossed the threshold amount and triggered the requirements of LRS 24:513 and notified your office. Mr. Smith also called the LCE office to inform me of this, however he learned that I was out of the office on approved medical leave and unable to provide him with the information and level of assistance that is required to meet the January 31 deadline. At this time, it is my understanding that he also contacted your office to request an extension of time.

~ Making Law and Civic Education come alive in the classroom! ~

On February 1, 2007, I returned to the office and spoke with Fred Smith. I informed him that the next scheduled LCE Board meeting would be held on February 28, 2007 and that he may present his findings to the Board members at this time.

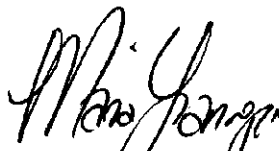
Mr. Smith was unable to provide the LCE Board with an advanced copy of the documents for their review, thus the LCE Board allowed him the time to complete and present the documents at the Saturday, April 21, 2007 meeting.

Please note that we have requested an extension to file the 2005 audited statements until April 23, 2007, which is the Monday following Mr. Smith's presentation to the LCE Board of Directors. This is also confirmed with Mr. Smith and with your office. It is our understanding that the 2005 audited statements will be submitted to your office on Monday, April 23, 2007 by Postlethwaitte and Netterville.

I sincerely hope that this provides you with an explanation as to the delay for the 2005 report. Should you require additional information, please do not hesitate to contact me at (225) 214.5570.

I truly apologize for the inconvenience this may have caused you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Maria Yiannopoulos', is written over the printed name.

Maria Yiannopoulos
Executive Director

cc: LCE Board of Directors
Mr. Fred Smith